

## RFS Public Hearing: API Testimony

Ypsilanti, MI, July 18, 2018



Good morning and thank you for the opportunity to testify today. I am Patrick Kelly, Senior Fuels Policy Advisor at The American Petroleum Institute. API is the only national trade association representing all facets of the oil and natural gas industry. API's 600 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms.

### Blendwall

Our members' primary RFS concern is the ethanol blendwall. The increases in gasoline demand projected at the inception of the RFS2 in 2007 did not materialize, nor did the commercialization of cellulosic biofuels. The ethanol blendwall is a real constraint on today's fuel supply system that makes the statutory volumes unattainable and is currently limiting the use of ethanol to a level below 15 billion gallons. Serious vehicle and retail infrastructure compatibility issues continue to exist with gasoline containing more than 10 percent ethanol. Congress provided the waiver authority that EPA should use to further reduce the 2019 volumes to avoid negative impacts on America's fuel supply and to prevent harm to American consumers.

### Small Refinery Exemptions

The RFS is a burden on all refiners, regardless of size, that ultimately impacts consumers. The small refinery exemptions granted by EPA create an unlevel playing field for competing refiners in the marketplace. To then redistribute the obligations of exempted small refineries to other obligated parties is to double-down on this market inequity. We are encouraged that EPA has not proposed to redistribute previously exempted volumes, and we recommend that EPA address the burdens of this program by lowering the volume requirements for all obligated parties below the constraints imposed by the ethanol blendwall.

## Advanced Biofuel Standards and Biomass-based Diesel standard for 2020

All of the proposed 590 million gallon increase in the 2019 standard is in the Advanced Biofuel category, and it amounts to a 14% increase from 2018. Biodiesel, which has its own 2.1 billion gallon mandate, is expected to fill the gap intended for *other* Advanced biofuels, and the gap in the general renewable category where ethanol is limited by the E10 blendwall. Altogether, EPA is proposing a very aggressive Advanced Biofuel mandate that ultimately relies on increased biodiesel imports and carryover RINs to be met. Meanwhile the supply of biodiesel imports is uncertain, particularly those from Argentina and Indonesia, and uncertainties remain regarding the blenders' tax credit. We therefore urge EPA to lower the Advanced standard, and similarly, to not increase 2020 Biomass-based Diesel standard.

## RFS Implementation

EPA is proposing a standard that exceeds 10% ethanol in the gasoline pool. Strong demand for E0, or clear gasoline, continues to exist and EPA standards should not exceed 9.7% to ensure compliance is feasible and preserve a liquid RIN market.

E15 and E85 are not solutions to the ethanol blendwall and cannot justify ethanol volumes that exceed 10% of gasoline supply in 2019. Three out of four cars on the road today were not designed for E15, and history demonstrates that motorists have largely rejected E85.

We support EPA's recognition that carryover RINs help maintain program integrity, however we remain concerned that EPA is in effect relying on carryover RINs by setting standards that exceed 10%.

## Conclusion

In closing, the proposed volumes are an annual example of a broken government program. We continue to believe the best solution to fix the RFS is comprehensive legislation that

includes a sunset of the program in 2022. API continues to work with bipartisan leaders in Congress to come up with a comprehensive approach to fixing the outdated and broken ethanol mandate.

Thank you again for the opportunity to discuss these issues, and I am happy to answer any questions.